

**IHCDA Real Estate Department**  
**2013 Report on Closeout Monitorings (CDBG & HOME)**

**I: PURPOSE**

The purpose of this report is to identify trends in the number of findings and concerns identified by the Indiana Housing and Community Development Authority's (IHCDA) compliance staff on Community Development Block Grant (CDBG) and Home Investment Partnership Act (HOME) funded projects. By tracking these trends, IHCDA can establish a baseline used to evaluate future years' performance. Ideally, IHCDA will see decreases in the number of findings and concerns in future years. This would signal that IHCDA is providing appropriate written guidance, training materials, and technical assistance to its partners.

**II: SUMMARY**

In calendar year 2013, IHCDA's Real Estate Department monitored and closed thirteen awards (referred to in this report as "the sample."). The sample included:

- 5 HOME-funded rental awards (3 CHDO awards and 2 general HOME awards); and
- 8 CDBG-funded owner-occupied rehabilitation awards (this includes both traditional CDBG as well as CDBG disaster recovery funds).

Awards included in the sample must have been both monitored and closed in 2013. A handful of awards were monitored in 2013 but have not yet closed because issues remain outstanding. Because these awards are pending additional information, the final number of findings and concerns may change. Therefore, these awards are not included in this report. IHCDA intends to release an updated report on an annual basis going forward. Next year's report will include all awards closed in 2014, including those that were monitored in 2013 but did not closeout in that year.

Before analyzing the results, it is important to understand the distinction between a "finding" and a "concern." A finding is defined as a violation of a federal program requirement. Examples of findings include, but are not limited to, failure to follow federal procurement or contract standards, violations of labor standards requirements, or serving households that are not income eligible. A concern is defined as a violation of an IHCDA requirement and is generally clerical or documentation related. Examples of concerns include, but are not limited to, failure to use IHCDA required forms, insufficient or incomplete documentation to prove compliance, or other items that require additional clarification not provided at the time of monitoring.

During the 13 monitorings included the sample, IHCDA identified a total of 13 findings (an average of 1.00 findings per monitoring) and a total of 14 concerns (an average 1.08 concerns per monitoring).

7 of the 13 monitorings (53.85%) had no findings. This means that of the 6 monitorings that did have findings, the average number of findings was 2.17 findings per monitoring.

6 of the 13 monitorings (46.15%) had no concerns. This means that of the 7 monitorings that did have concerns, the average number of concerns was 2.00 concerns per monitoring.

5 of the 13 monitorings (38.46%) had no findings or concerns noted. These are “perfect” or “no-issues” monitorings.

### **III: ANALYSIS BY ACTIVITY TYPE**

Below is an analysis of the data broken down by activity type. A summary of all the information contained below is available as “Table A: Data Compared by Activity Type” on the last page of this document.

#### **A. Rental Projects- Combined Sample**

The sample includes 5 monitorings of rental projects funded under the HOME program. This section includes both awards made to Certified Housing Development Organizations (CH Awards) and to general non-CHDO HOME partners (HM Awards). These two types of awards will be broken out and compared in parts B and C below.

- During these 5 monitorings, 4 findings were identified. This is an average of 0.80 findings per monitoring, which is lower than the total sample average of 1.00 findings per monitoring.
- During these 5 monitorings, 7 concerns were identified. This is an average of 1.40 concerns per monitoring, which is higher than the total sample average of 1.08 concerns per monitoring.
- 3 of the 5 monitorings (60.00%) had no findings. A higher percentage of rental properties than the overall sample had no findings (60.00% compared to 53.84%).
- Of the 2 monitorings that did have findings, the average number of findings was 2.00 findings per monitoring. This is lower than the average number of findings for the total sample of projects with findings (2.17).
- 2 of the 5 monitorings (40.00%) had no concerns. A lower percentage of rental properties than the overall sample had no concerns (40.00% compared to 46.15%).
- Of the 3 monitorings that did have concerns, the average number of concerns was 2.33 concerns per monitoring. This is higher than the average number of concerns for the total sample of projects with concerns (2.00).
- 2 of the 5 monitorings (40.00%) had no findings or concerns. This is slightly above, but very close to, the overall sample size percentage (38.46%) of perfect monitorings.

#### **B. Rental Projects- CH Awards Subset**

The subset of rental project monitorings includes 3 projects awarded to CHDOs (CH Awards).

- During these 3 monitorings, only 1 finding was identified. This is an average of 0.33 findings per monitoring, which is lower than both the total sample average of 1.00 findings per monitoring and the combined rental sample average of 0.80 findings per monitoring.
- During these 3 monitorings, 4 concerns were identified. This is an average of 1.33 concerns per monitoring, which is higher than the total sample average of 1.08 concerns per monitoring but lower than the combined rental sample average of 1.40 concerns per monitoring.

- 2 of the 3 monitorings (66.66%) had no findings. A higher percentage of CHDO rental projects than the overall sample had no findings (66.66% compared to 53.84%). A higher percentage of CHDO rental projects than the combined rental sample had no findings (66.66% compared to 60.00%).
- The 1 monitoring that did have findings had only 1 finding. This is lower than the average number of findings for the total sample of projects with findings (2.17) and the average number of findings for the sample of combined rental projects with findings (2.00).
- 1 of the 3 monitorings (33.33%) had no concerns. A lower percentage of CHDO rental projects than the overall sample had no concerns (33.33% compared to 46.15%). A lower percentage of CHDO rental projects than the combined rental sample had no concerns (33.33% compared to 40.00%).
- Of the 2 monitorings that did have concerns, the average number of concerns was 2.00 concerns per monitoring. This is equal to the average number of concerns for the total sample of projects with concerns (2.00) but lower than the average number of concerns for the sample of combined rental projects with concerns (2.33)
- 1 of the 3 monitorings (33.33%) had no findings or concerns. This is slightly below the overall sample size percentage (38.46%) and the combined rental sample percentage (40.00%) of perfect monitorings.

### C. Rental Projects- HM Awards Subset

The subset of rental project monitorings includes 2 projects awarded to non-CHDO partners (HM Awards).

- During these 2 monitorings, 3 findings were identified. This is an average of 1.50 findings per monitoring which is higher than both the total sample average of 1.00 findings per monitoring and the combined rental sample average of 0.80 findings per monitoring.
- During these 2 monitorings, 3 concerns were identified. This is an average of 1.50 concerns per monitoring which is higher than the total sample average of 1.08 concerns per monitoring and the combined rental sample average of 1.40 concerns per monitoring.
- 1 of the 2 monitorings (50.00%) had no findings. A lower percentage of HM rental projects than the overall sample had no findings (50.00% compared to 53.84%) A lower percentage of HM rental projects than the combined rental sample had no findings (50.00% compared to 60.00%). A lower percentage of HM rental projects than CH rental projects had no findings (50.00% compared to 66.66%).
- The 1 monitoring that did have findings had 3 findings. This was the worst monitoring included in the total sample. The average number of findings for the total sample of projects with findings was 2.17 findings per monitoring, the average number of findings for the combined rental sample of projects with findings was 2.00 findings per monitoring, and the average number of findings for the CH rental sample of projects with findings was 1.00 findings per monitoring.
- 1 of the 2 monitorings (50.00%) had no concerns. A higher percentage of HM rental projects than the overall sample had no concerns (50.00% compared to 46.15%). A higher percentage of HM rental projects than the combined rental sample had no concerns

(50.00% compared to 40.00%). A higher percentage of HM rental projects than CH rental projects had no concerns (50.00% compared to 33.33%).

- The 1 monitoring that did have concerns had 3 concerns. This was the worst monitoring included in the total sample. The average number of concerns for the total sample of projects with concerns was 2.00 concerns per monitoring, the average number of concerns for the combined rental sample of projects with concerns was 2.33 concerns per monitoring, and the average number of concerns for the CH rental sample of projects with concerns was 2.00 concerns per monitoring.
- On the other hand, 1 of the 2 monitorings (50%) had no findings or concerns. This is considerably above the overall sample size percentage (38.46%) and the combined rental sample percentage (40.00%) of perfect monitorings.
- When considering all of the data above, it is important to note that the sample size for HM awards was the smallest subset in this study and with only 2 properties in the subset, the results were easily skewed by the one bad monitoring and the one perfect monitoring.

#### D. Owner-Occupied Rehabilitation Projects

The sample includes 8 monitorings of owner-occupied rehabilitation (OOR) projects funded under the CDBG program. This includes both awards made under the traditional CDBG program and the CDBG disaster recovery program. As there was no important distinction between the two, the OOR subset will not be broken down further into traditional CDBG versus disaster CDBG.

- During these 8 monitorings, 9 findings were identified. This is an average of 1.125 findings per monitoring, which is higher than the total sample average of 1.00 findings per monitoring and the combined rental sample of 0.80 findings per monitoring.
- During these 8 monitorings, 7 concerns were identified. This is an average 0.875 concerns per monitoring, which is lower than the total sample average of 1.08 concerns per monitoring and the combined rental sample of 1.40 concerns per monitoring.
- 4 of the 8 monitorings (50.00%) had no findings. A lower percentage of OOR projects than the total sample had no findings (50.00% compared to 53.84%). A lower percentage of OOR projects than the combined rental sample had no findings (50.00% compared to 60.00%).
- Of the 4 monitorings that had findings, the average number of findings was 2.25 per monitoring. This is higher than the average number of findings for the total sample of projects with findings (2.17) and of the sample of combined rental projects with findings (2.00).
- 4 of the 8 monitorings (50.00%) had no concerns. A higher percentage of OOR projects than the total sample had no concerns (50.00% compared to 46.15%). A higher percentage of OOR projects than the combined rental sample had no findings (50.00% compared to 40.00%).
- Of the 4 monitorings that had concerns, the average number of concerns was 1.75 concerns per monitoring. This is lower than the average number of concerns for the total sample of projects with concerns (2.33) and of the sample of combined rental projects with concerns (2.33).
- 3 of 8 monitorings (37.50%) had no findings or concerns. This is slightly below, but very close to, the overall sample size percentage (38.46%) and the combined rental sample size percentage (40.00%) of perfect monitorings.

#### **IV: TRENDS**

OOR projects are receiving more findings than the overall sample and the combined rental sample. Conversely, rental projects are receiving more concerns than the overall sample and the OOR sample. This suggests that OOR partners need more training on basic federal regulations and requirements of the CDBG program, while rental partners need more training on IHCD specific policies, forms, and documentation requirements.

It is important to note (keeping in mind the potential for small sample size skew) that HM rental awards had a higher average number of findings, a higher average number of concerns, and a higher percentage of monitorings with findings than the total sample, the combined rental sample, and the CHDO award rental sample. This suggests that certified CHDOs have a better understanding of HOME requirements than non-CHDO partners administering HOME rental awards. While the results are skewed by both the low sample size of the subset of HM rental awards and by the one bad monitoring, this still suggests that within the subset of rental projects, the non-CHDO partners are performing more poorly than their CHDO certified peers. IHCD should focus training and technical assistance opportunities to partners administering HM awards for rental projects.

Finally, the Davis Bacon issue must be addressed. Through experience, IHCD's monitoring staff knows that projects that invoke Davis Bacon labor standards requirements have a higher number of findings and concerns than non-Davis Bacon projects. The sample for this report did not include any Davis Bacon projects. While IHCD monitored projects that triggered Davis Bacon in 2013, none of these have closed out due to the fact that there are lingering issues to correct (in most cases issues directly related to Davis Bacon). When creating an updated report for 2014, IHCD will add another category to compare monitoring results on Davis Bacon versus non-Davis Bacon projects.

Table A: Data Compared by Activity Type

	# of Projects in Sample	# Findings Identified	# Concerns Identified	# Projects with Findings	% Projects with Findings	# Projects with Concerns	% Projects with Concerns	# Projects w/o Findings or Concerns ("Perfect")	% Projects w/o Findings or Concerns ("Perfect")	Average # of Findings (all sample)	Average # of Concerns (all sample)	Average # of Findings (sample with findings only)	Average # of Concerns (sample with concerns only)
Total Sample	13	13	14	6	46.15%	7	53.85%	5	38.46%	1.00	1.08	2.17	2.00
Combined Rental	5	4	7	2	40.00%	3	60.00%	2	40.00%	0.80	1.40	2.00	2.33
CH Rental Subset	3	1	4	1	33.33%	2	66.66%	1	33.33%	0.33	1.33	1.00	2.00
HM Rental Subset	2	3	3	1	50.00%	1	50.00%	1	50.00%	1.50	1.50	3.00	3.00
OOR	8	9	7	4	50.00%	4	50.00%	3	37.50%	1.125	0.875	2.25	1.75